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Weekly Contributions 25-50
Latin America Division, ORE, CIA
20 June 1950

D/IA considers that the article on anti-US sentiment in Brazil (p. 3) and the item on continuing unrest in Peru (p. 2) merit particular attention among this week's contributions.

CURRENT DEVELOPMENTS

CENTRAL AREA: See reports on the effects of anti-US sentiment in Brazil and on the current situation in Venezuela, under SPECIAL SUBJECTS, below.

SOUTHERN AREA: Unrest in Peru in the critical period prior to presidential elections scheduled for 2 July will probably continue, in spite of the government's success in suppressing the Arequipa uprising (p. 2). See also the report on the current situation in Chile, under SPECIAL SUBJECTS, below.

SPECIAL SUBJECTS

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(CIA Working Paper)

20 June 1950

1. PERU: Unrest Expected to Continue

Tension and unrest continue and further disorders are possible despite the government's success in suppressing the Arequipa revolt that stemmed from protest at the disqualification of the only opposition candidate in the 2 July presidential elections. The revolt failed when expected army support did not materialize, but not before many were killed or wounded. The opposition candidate and many leaders of his group have been jailed, but feeling continues to run high and there are reports that further outbreaks may occur in the north of Peru --- which is quite possible. Nevertheless, if Odría can retain his army support and the loyalty of associates like Noriega, he probably will be returned to power in a farcical election that will do little to increase Odría's prestige or that of his country. (Substance used in CIA Wkly, 16 Jun 50.)

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Effects of Increased Anti-US Sentiment in Brazil

(Summary -- The increased anti-US feeling in Brazil may well affect the normally close cooperation of Brazil in international matters as well as delay some of the present economic negotiations with the US, but should yield to efforts toward improvement based on longer-term factors.)

Anti-US sentiment, which has been increasing in Brazil during the past year (D/LA Wkly, 11 Apr 50), was further aggravated during the past few weeks by the announcement of the large Export-Import Bank loan to Argentina (D/LA Wkly, 16 May 50) and the published report on the causes of the high coffee prices of the Gillette subcommittee of the US Senate (D/LA Wkly, 13 Jun 50). The anti-US attitudes are noticeable not only in the press and certain segments of the public, but also among some high government officials and officers of the armed forces.

Underlying this recently increased criticism of the US and its policies is the feeling of Brazilians that the US is not granting them enough consideration in view of Brazil's record of cooperation in World Wars I and II and in the immediate postwar period. Many high Brazilian officials, both civilian and military, consider that their contribution as allies of the US in World War II was so much greater than that of any other Latin American country that the US should favor them above all other Latin American countries; they see, in such US measures as the loan to Argentina, not the US desire to strengthen the Hemisphere as a whole, but a denial of their deserved preferential position. Similarly, Brazilian military leaders are less appreciative of the present US Soviet-containment policy in Europe than they are of the fact that European countries, including former enemies of both the US and Brazil, receive US military equipment free while Brazil must pay high prices for it. Under these circumstances, one school of thought in Brazil apparently advocates striving in every way to reduce their peculiar dependence on, and their peculiar ties with, the US (the recent barter-trade agreement with West Germany is a case in point), countering what they consider US lack of sensitivity to its peculiar debt to Brazil.

Although there is as yet no reason to alter the estimate that Brazil would be a close ally of the US in case of another war -- and probably desire again to send troops to assist in the actual fighting of the war -- some short-range security interests of the US could be adversely affected if this anti-US feeling continues unabated. The Brazilians, for example, may become intransigent in their negotiations of a friendship, navigation, and commerce treaty, similar to the one desired by the US

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and drawn up between the US and Uruguay; or they may continue "to study" US Steel's application to exploit the large manganese deposits in the State of Mato Grosso and thus may delay the potential flow of that manganese ore to the US. It is also possible that this anti-US feeling may further stimulate the nationalistic attitude reflected in the "Brazil for the Brazilians" slogan which, along with the pressure of politicians seeking the votes of nationalists and Communists for the important October elections, may force passage of a bill now before Congress that could curtail the flow of critical and strategic minerals to the US (D/LA Wkly, 13 Jun 50). It can also be expected that Brazil will make every effort to support the present high price of coffee through subsidies to the producers as well as including larger amounts of coffee in the barter agreements with European nations. This latter step would orient Brazil's foreign trade slightly more towards Europe and prejudice somewhat the present large exports to Brazil from the US.

While the prospect is not bright that, saving extraordinary efforts on the part of the US, this anti-US feeling in Brazil will decrease to any great extent in the immediate future, factors operating over the longer term -- such as those that have for so long favored particularly friendly relations between the two countries -- will be available to support efforts of leaders in both countries to ameliorate present conditions. Sober second thought among Brazilians will point out, as one publisher of a large newspaper chain has already done, that the Gillette report is only a report of a subcommittee of the US Congress and not the official position of the US Government. The sting of the Argentine loan will be somewhat assuaged by publicity of various new Eximbank loans to Brazil for the additional development of its steel industry, cement industry, and electric power. Evidence of constant US interest, such as that shown by visits of high-ranking US officials, both civil and military, will be appreciated. Orders for critical materials, such as the US renewal this month of the quartz-crystal-purchasing program that had been suspended for many months, will be valued by more moderate and less nationalistically minded Brazilians. And finally, naturally complementary economies -- rather than naturally competing, as in the case of US and Argentina -- favor cooperation in the name of common sense; Brazilian opinion can well return to the realization that the US will continue to be Brazil's best customer regardless of additional new trade agreements with European nations.

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The Current Situation in Chile

(Summary -- The Chilean government appears reasonably stable despite a political struggle regarding economic planning. Favorable factors slightly outweigh the unfavorable in the present economic situation. There has been no significant change in the morale, loyalty, training, or efficiency of the armed forces in the last quarter. Chilean Communists continue to devote their principal efforts to the political field. There has been no significant change in Chile's international relations.

-- US security interests have not been importantly affected by events in Chile in this period.

Political

The Chilean government appears reasonably stable at the end of the recent quarter, during which the most significant political struggle has been revolving around economic projects advanced by the minister of finance. Backed by the increasingly powerful white-collar unions (JUNECU) and taking advantage of what had been expected to be merely an interim appointment, Minister Vial has sought support from Chilean workers by proposing a far-reaching plan of wage subsidies to serve as an adjustment to inflationary conditions. The plan, passed by the Chilean lower house, has proved to have such extensive popular and political support that Vial, who was expected to ruin himself politically after a short tour in office, now appears to be assuming a major role. The "Vial Plan", however, faces its real test in the senate, where conservative power is greater than in the lower house. President Gonzalez Videla, whose personal position appears somewhat stronger since his return from the US, has shown his usual political astuteness by adopting a receptive attitude towards the "Vial Plan" and is apparently willing to play ball with the new finance minister so long as he can advance his own ends by so doing. The prospect for the future, although it undoubtedly includes political turmoil over the economic plans, is reasonably favorable: no really serious threat to the stability of the present Chilean regime is apparent at this time.

Economic

Favorable factors slightly outweigh the unfavorable in Chile's present economic situation. The principal item on the credit side is the dramatic rise in copper prices during the past twelve months (from 17 cents a pound in June 1949 to 22 1/2 cents a pound in June 1950). Against this must be considered the continued monetary inflation, a politico-economic drive for increased wage subsidies, a wave of strikes reducing production and income, and the small benefits to date from the embryonic industrialization program. Moreover, Chile will not derive full advantage from increased copper prices if the US Congress does not re-enact the suspension -- which expires

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30 June 1950 -- of the two cents per pound US duty. On balance, however, the outlook is somewhat more favorable than it was three months ago; and, if the strikes and inflation do not get out of hand, Chile should be able to advance economically in the coming quarter.

Military

There has been no significant change in the morale, loyalty, training or efficiency of the armed forces in the last quarter. The army and the carabineros have demonstrated their effectiveness in maintaining order during the potentially dangerous period of widespread strikes. Their loyalty to the government and capability of controlling violence is expected to continue during the coming months.

Subversive

Communists continue to devote their principal efforts to the political field -- probably because the new Chilean cabinet is less conservative than its predecessor and contains more members friendly to Communists. The changed Communist emphasis is noticeable in efforts to win political collaboration of various groups for the purpose of repealing the Defense of Democracy Law. Consistent with this political effort, the Communists have concurrently refrained from overt action in strikes and other disturbances, although their capability for causing trouble remains high and there have been numerous opportunities for such activities within the past quarter. Further, the elimination of the hated law has taken precedence even over "peace" as a stated objective in Communist front groups. D/LA believes, however, that, although the Communists have made certain political gains and may continue to win further support on this one issue, their drive to repeal or alter the Defense of Democracy Law is not likely to be successful in the immediate future, since conservative and moderate groups are as intent on its retention as Communists and many liberals are for its repeal. It is not expected that net Communist strength will increase significantly within the next quarter.

International

There has been no significant change in Chile's international relations during this quarter. The visit of President González Videla to the US was the most outstanding single event on the Chilean international scene. Both the Chilean people and President González have seemed satisfied with the results of the trip; the only benefit apparent thus far, however, has been the important, if imponderable, one of renewing traditional US-Chilean ties of friendship. President González' strong denunciations of Communism during his US trip and his proposal for the creation of a democratic international in order to combat Communism may be taken as indications that Chile will continue her ardent anti-USSR policy. Chile is expected to resume relations with the new Haitian military junta, in spite of a Chilean protest over lack of assurance that democratic elections will be held. A move to resume relations with the Venezuelan military junta also is possible.

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The Current Situation in Venezuela

(Summary -- The political situation is somewhat less favorable than three months ago. The economic position is essentially unchanged. The military situation also is unchanged except for reorganization of the general staff. Communism has received a setback from dissolution of the party. There have been relatively minor difficulties with Cuba, the Dominican Republic, and Great Britain.

-- Recent developments have not seriously affected US security interests.)

Political

The political situation in Venezuela is somewhat less favorable than three months ago, principally because Acción Democrática and the Communists appear to have entered a phase of more aggressive activity. This has been evident not only in the petroleum workers' strike (see Economic below), but also in a number of isolated disturbances by armed civilians which, though largely unsuccessful, have created an atmosphere of increased tension. It is true that recent clandestine activities have probably strengthened the unity of the junta; it is also true that there is little indication of a decline in the government's ability to control the type of sporadic violence which has occurred recently, and that there is no clear evidence that AD is now capable of directing more concerted revolutionary action. Nevertheless, the continuation of minor outbreaks, however unsuccessful, would probably delay the restoration of political liberties essential to the preparation for elections, and it is quite possible that such delay, rather than a major revolutionary attempt, is the immediate objective of AD.

The announcement of the draft electoral statute on 25 May is only one of the first steps in the long process of preparing for elections. Progress towards constitutionalism will be slow, and repressive measures will probably continue for some time.

Economic

There has been little significant change in Venezuela's economic position during the past three months. The government continues to be gravely concerned over the possibility of drastic US restrictions on oil imports (D/LA Wkly, 21 Mar 50). Meanwhile, the government appears to have become resigned to the prospect of termination of the US-Mexican trade agreement, by which Venezuela has enjoyed, through the most-favored-nation clause, favorable terms for oil exports to the US; and petroleum production has been maintained at a generally high level for the past three months. It is doubtful, however, whether Venezuela can continue to find markets for all its oil at present high levels of production.

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The results of the petroleum workers' strike of 3-13 May are of mixed significance, and its ultimate effects may not be fully apparent for some time. In terms of its alleged objective -- revision of the commissary and wage-scale clauses of the collective contract -- the strike was a failure. As a test of strength and as a means of embarrassing the government and raising the morale of the workers it was at least partially successful, inasmuch as nearly the entire industry was for a brief period strike-bound. The government showed a certain weakness in failing to issue general orders, leaving strike-breaking measures largely to the discretion of local authorities. The most important immediate results, dissolution of the Communist and AD unions and the Communist Party, while creating an obstacle to future united action, will undoubtedly intensify the hostility of the labor movement towards the government, which the latter has done little to counteract.

Military

There has been little evidence of a decline in the loyalty of the armed forces, and, as long as the junta members themselves remain united, they can probably depend upon the support at least of the older officers. Junior officers are a more questionable factor. It is to be expected that AD will make a continuing effort to penetrate the armed forces, and may possibly increase its influence not only among enlisted men, but also among the junior officers.

Possibly most important of several recent changes in the Ministry of Defense is the replacement of the Inspector General's office by the newly-organized Third Section (operations and training) of the Armed Forces General Staff. The new G-3 chief, Major Julio Cesar Angola, is reported to be enthusiastic about US training and organization methods.

The Venezuelan government continues European arms purchases because of the price differential or the non-availability of the US product. In spite of this obstacle to its effectiveness, the work of the US Army Mission appears to receive increasingly enthusiastic acceptance.

Subversive

Communism received a sharp setback with the dissolution (13 May) of the Partido Comunista Venezolano (PCV) as a direct result of PCV leadership in the recent petroleum workers' strike. It is true that the dissolution decree was not directed primarily against Communism as such; that it does not affect the smaller dissident Communist Party (the Partido Revolucionario del Proletariado - Comunista); and that its effect upon Communist front organizations is not yet known. Nevertheless the decree (together with the decree dissolving COSUTRAPET) affects the principal Venezuelan Communist Party, especially in the sphere of labor from which it derives its greatest support and in which its greatest potential threat to US interests exists.

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The theory that Communist parties are more difficult to control if driven underground, and actually may profit from being outlawed, is not necessarily applicable to the present situation in Venezuela. The Communists will probably lose large numbers of marginal followers (especially in the labor unions) whose support was predicated on personal advantage rather than Marxist convictions. It may be assumed that the government will be vigilant in apprehending PCV leaders, most of whom are known. It is not likely that Communist Party discipline in Venezuela will be adequate to the demands of effective underground organization. Therefore, while the AD cause may gain some additional support within Venezuela, Communism will probably decline in strength.

International

Certain minor difficulties, in which Venezuela became involved with Cuba, the Dominican Republic, and Great Britain during the past three months, seem no cause for concern. Relations with Cuba, strained as the result of a magazine article critical of the Venezuelan junta written by a Cuban official (D/LA Wkly, 23 May 50), will probably be patched up by a Cuban offer of apologies. The Venezuelan government, however, will continue to regard as overly tolerant the attitude of the Cuban government towards AD exiles in Cuba. The asylum episode that threatened to disturb Venezuelan-Dominican relations is now coming to a close. The Dominican government has yielded to the extent of delivering the asylees' passports to the Venezuelan embassy, on the understanding, however, that Venezuela would replace its ambassador, whose eccentricities are reported to have disturbed his own government as well as the Dominican government. There is no reason to doubt that the British ambassador's protest over firing on a Shell Company British-flag tanker about 45 miles off the Venezuelan coast by the Venezuelan naval training ship Capaña and the boarding of the tanker in search of arms allegedly being smuggled into Venezuela will lead to an amicable settlement.

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